

Fewer people will have access to disability insurance if Connecticut pursues this legislation, primarily because it would increase the cost of such insurance dramatically. Employers are laying off employees because they can't afford to pay wages. Benefits are likely to be cut back across Connecticut and the US as well. Banning Social Security offsets would increase the cost of the insurance by approximately 40-80% to employers and 10-25% for individuals. As employers look to trim costs, if they are required to increase their premiums by 40-80% many may drop this coverage altogether for their employees – especially as their health insurance premiums are generally rising every year and they need to cover these increases as well.

Workers who do not have disability insurance will be more vulnerable to financial hardship, and more likely to require government services. If employers no longer offer private disability insurance, the worker who gets cancer or some other disabling disease, or who gets injured and can no longer work, will be without the critical benefits this insurance offers, particularly in that period of time before a worker becomes eligible for Social Security.

Theoretically, a disabled worker can become eligible for Social Security after five or more months of disability. The wait for these benefits, however, is often longer due to a backlog of claims currently pending at Social Security Administration (SSA). The private sector, on the other hand, is typically much faster in administering claims (and in fact we are working with the SSA to help them speed up some of their claims processes). In addition, many people never qualify for Social Security because of the SSA's guidelines, although they might still qualify for benefits under a group policy because private insurance has contractual provisions which differ from Social Security's guidelines.

The critical point – if this legislation passes in Connecticut – is that fewer hard working people and their families will likely be covered by disability insurance because employers in these tight times may cease to purchase it, and those Connecticut residents that never end up receiving any form of Social Security may well get no help and be unable to afford their bills while not working.

The industry is providing a safety net to Connecticut workers.

Even if people do ultimately get Social Security, private disability insurance often provides months or even years of benefits to people as they await their Social Security Benefits – this "bridge" can be crucial for an individual or family in need.

Finally, it is important to note that those who do receive private disability insurance and have an SS offset generally get the same net benefit or slightly more money (due to commonly applied contract features) than they would with only a Social Security benefit. In other words, the insured would not net less with the integration of Social Security. (The benefit on a group policy is typically 60% of an individual's pre-disability income). Also, if there were no offset, there could be a risk of over-insurance, which could create a disincentive for people to go back to work, i.e. earning close to one's salary while not working at all due to non-integration between the SS and private insurance benefit.

Again, thank you for the opportunity to testify - I would like the opportunity to supplement the record with additional written testimony if the need arises.